International Seabed Authority ISBA/21/FC/9

Finance Committee

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Status of the progress made towards the implementation of the International Public Sector Accounting Standards by 1 January 2016 by the International Seabed Authority

Report of the Secretary-General

I. Introduction

1. The purpose of the present document is to inform the Finance Committee of the progress made towards the implementation of the International Public Sector Accounting Standards (IPSAS) by 1 January 2016 by the International Seabed Authority.

II. Background information

2. The adoption of IPSAS by the International Seabed Authority was approved during the twentieth session, as stated in the report of the Finance Committee (ISBA/20/A/5-ISBA/20/C/19, sect. VIII, para. 29).

III. Progress made

3. An ad hoc committee has been established by the secretariat to be responsible for the preliminary activities required to implement IPSAS. The committee is made up of the following staff members: Nkechi Onyedin (Office of Administration and Management), Andrew Webster (Office of Administration and Management), Delroy Bonitto (Office of Administration and Management), Jean-Baptiste Sombo (Office of Resources and Environmental Monitoring), Gwenaelle Le Gurun (Office of Legal Affairs).

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IV. Workplan

4. The preliminary activities that will be concluded before the implementation of IPSAS with effect from 1 January 2016 are as listed below:

(a) **Risk assessment** (this phase is to be completed in the third and fourth quarters of 2015): adopt risk assessment, management and mitigation strategies and practices for IPSAS that include:

(i) Fixed assets issues and valuation;

(ii) Treatment of fixed assets issues and considerations;

(iii) Communications with auditors and executive committees;

(iv) Training;

(b) **IPSAS policies** (this phase is expected to be completed in the third and fourth quarters of 2015): incorporating the accounting policies as revised by the United Nations System Task Force on Accounting Standards on the specific areas of the existing accounting policies to ensure compliance with IPSAS in the various accounting records, maintenance and processes;

(c) **System changes** (this phase is expected in the third and fourth quarters of 2015):

(i) Identification and acquisition of the necessary computer software that will incorporate the additional work processes required for the implementation of IPSAS, including:

a. Accounting system;

b. Human resources data recording;

c. Computation of actuarial values of employee benefits;

d. Inventory database maintenance;

e. Depreciation of fixed assets computation;

(d) **Business requirements**:

(i) Conduct an in-depth analysis of gaps between existing business processes and procedures and the impact of each IPSAS standard on each of those processes and procedures;

(ii) Develop a strategy for producing IPSAS-compliant opening balances for the targeted implementation date (first day of the first year of compliance), as well as the closing balance for the previous day, based on the previous accounting standards (United Nations System Accounting Standards), but easily translatable into IPSAS terms for the opening balance of 2016;

(iii) Engagement of the services of a consultant in the transition processes as and when required;

(e) **Training, cutover and deployment** (this phase is expected to be completed in the third and fourth quarters of 2015):

(i) Communicate awareness on the transition to IPSAS to all staff members through all available means of communication, training and documentation.

This will be achieved through personal contact, presentations and testimonies from persons involved in successful implementations outside the Authority, practical exercises and other training materials comparing present and new accounting policies;

(ii) Test run of the software discussed in paragraph 4 (c) (i) above;

(iii) Valuation of the existing inventory;

(iv) Testing, validating and reconciling the opening balances under the two accounting systems: the United Nations System of Accounting Standards and IPSAS, including new report development and testing;

(v) Working with the external auditors on the requirements and impact of the IPSAS adoption and implementation activities, and envisaging the likely risks to the successful implementation of IPSAS.

V. Steps taken by the International Seabed Authority to prepare for the adoption of the International Public Sector Accounting Standards by January 2016

5. In order for the Authority to prepare for the adoption of IPSAS, the following steps have been taken by the secretariat:

(a) Participation of both the Finance Officer and the Budget and Internal Oversight Officer in a videoconference conducted by the United Nations System Task Force on Accounting Standards on 15 April 2015, which covered, among other topics, the following:

(i) Sustaining IPSAS compliance, update on status of IPSAS implementation, new challenges in sustaining IPSAS compliance;

(ii) Coordination of accounting diversity: common terminology;

(iii) Intangible assets;

(iv) Property, plant and equipment;

(v) Common premises and services;

(b) Participation of the Finance Officer in the meeting of the United Nations System Task Force on Accounting Standards, held in New York from 8 to 10 September 2014, at which working groups from United Nations agencies gave presentations, including on the following topics:

(i) IPSAS post implementations: sustaining IPSA compliance, update on specific challenges, issues from auditors;

(ii) Review of accounting policies;

(iii) Results of the working focus groups on inventory, property plant and equipment; intangible assets and accounting for assets with limited supporting documentation;

(iv) IPSAS dividends and costs;

(c) The Budget and Oversight Officer shared the link to the following United Nations online courses on IPSAS with the staff of the Office of Administration and Management:

(i) Computer-based training 1: Orientation to IPSAS; provides an awareness of IPSAS;

(ii) Computer-based training 2: Accrual accounting under IPSAS: the basics; introduces accrual accounting and the major changes it will bring to reporting financial information;

(iii) Computer-based training 3: Accounting for property, plant and equipment; covers treatment of assets;

(iv) Computer-based training 4: Accounting for inventories; covers treatment of assets;

(v) Computer-based training 5: Accounting for employee benefits: the basics; covers treatment of liabilities; an in-depth, technically demanding course;

(vi) Computer-based training 6: Accounting for leases; covers treatment of assets;

(vii) Computer-based training 7: Accounting for provisions, contingent liabilities and assets; covers treatment of liabilities.

VI. Recommendation

6. The Finance Committee is invited to take note of the steps taken by the International Seabed Authority for the successful implementation of IPSAS and the progress made in completing the workplan for its implementation by 1 January 2016.